BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

OPINIONS OF THE COURTS BELOW

The opinion of the District Court, not reported, appears at Record page 12. It found that the Bill of Complaint was without merit and dismissed it upon the Motion and Brief that was filed by the defendant. The United States Circuit Court of Appeals opinion is reported at 114 Fed. Rep. (2d), page 893. It noted that the District Court acted upon the complaint upon its merits without the benefit of presentation by plaintiff. The Court of Appeals likewise failed to pass on the validity of the action of the District Court in dismissing the bill on its merits without hearing from the plaintiff [114 Fed. Rep. (2d) 895].

THE JURISDICTION

Jurisdiction is invoked under Section 347, U. S. Code Title 28.

STATEMENT OF THE CASE AND QUESTION INVOLVED

The question involved is whether or not a District Court upon defendant's motion to dismiss a Bill of Complaint, which did not notify the plaintiff of the date of hearing thereof, may dismiss the bill upon the merits without a hearing and without a waiver thereof by the plaintiff.

ARGUMENT

The decision of the Circuit Court of Appeals for the Seventh Circuit affirming the order of the District Court, departs from the accepted course of judicial proceedings. The District Court's action was taken under local Rules 30-A and 30-B. These rules are printed at page 25 of the Transcript of Record. Rule 30-A relates to the filing of

motions and the time for filing briefs on motions. It does not provide for specifying the time for the hearing of such motions. Rule 30-B relates to the submission of contested motions. It provides in part that "No oral arguments will be heard on such matters unless directed by the Court. When all briefs have been filed, any interested party, upon giving notice, may present the matter to the Court for a ruling." Defendant did not give the plaintiff notice that it would present the motion to the Court for a ruling (Rec., page 15). The opinion of the District Court refers only to the fact that the defendant had filed its motion and its brief and that the plaintiff had filed no brief, and did not say that the defendant had given plaintiff notice that the matter would be presented to the Court for a ruling. The Circuit Court of Appeals refers to the fact that the complaint was dismissed upon the merits by the District Court without the Court's having the benefit of plaintiff's presentation of the matter [114 Fed. (2d) 894].

The Rules of Civil Procedure for District Courts of the United States adopted by this Honorable Court in September, 1938, contain the following paragraph under "Rule 6. Time. Section (d)":

> "For Motions—Affidavits. A written motion, other than one which may be heard ex parte, *and notice of the hearing thereof shall be served not later than 5 days before the time specified for the hearing,* unless a different period is fixed by these rules or by order of the court. Such an order may for cause shown be made an ex parte application. When a motion is supported by affidavit, the affidavit shall be served with the motion; and, except as otherwise provided in Rule 59 (c), opposing affidavits may be served not later than 1 day before the hearing, unless the court permits them to be served at some other time." (Italics ours.)

That the Court must have a hearing on the merits, in disposing of a case is held in the following cases:

Swift & Co. v. *Jones,* 145 Fed. Rep. 489-493;
Horn v. *Pere Marquette R. Co.,* 151 Fed. Rep. 626-636;
In Re American Home Furnishers' Corp., 296 Fed. Rep. 605-607;
In Re Associated Gas & Electric Co., 83 Fed. Rep. (2d) 734-736.

In *Swift & Co.* v. *Jones,* supra, the Court of Appeals of the Fourth Circuit had before it the validity of an order entered by the Lower Court referring the case to a Special Master who was "authorized to hear the same, and pass upon issues of fact arising out of the pleadings, and report his findings of fact to the Court." The Court of Appeals said at page 493 of 145 Fed. Rep.:

> "Moreover, the mode of proof prescribed for the trial of common-law cases by section 861 Rev. St. clearly indicates that such trials in the federal courts are only to be had before a jury *or the court in open court.*" (Italics ours.)

In *Horn* v. *Pere Marquette R. Co.,* 151 Fed. Rep. 626, his Honor Judge Lurton said at page 636:

> "It must be borne in mind that the authority of the judge at chambers, and I speak altogether of a judge exercising equity powers, and not of a common-law judge, or a judge administering law, as distinguished from equity, is that of the court itself. *Daniel's Chancery Pl. & Pr.* (4th Am. Ed.) 1323; *Prescott* v. *Roe,* 9 Bing. 104; *Walters* v. *Anglo-Am., etc., Trust Co.* (C. C.) 50 Fed. 317. *When there is no settled practice to guide a judge, the limitations upon his powers at chambers must be found in the distinction between those steps, in an equity cause, which tend to prepare the cause for hearing or preserve the subject-matter until such a hearing, and those judgments which adju-*

> *dicate the ultimate merits.* That which does not adjudicate the merits is interlocutory. Mr. Daniel defines an 'interlocutory application' as 'a request to the court or to a judge at chambers, for its interference in a matter arising in the progress of a cause or proceeding; and it may either relate to the process of the court, or to the protection of the property in litigation pendente lite, or to any matter upon which the interference of the court or judge is required before, or in consequence of a decree or order.' " (Italics ours.)

In *In Re American Furnishers' Corp.,* 296 Fed. Rep. 605, the Circuit Court of Appeals of the Fourth Circuit had before it the question of the validity of an order which the District Court had made for the sale of property whilst he was holding court outside of his district, by designation under Sections 13 and 14 of the Judicial Code, and which upon rehearing he had rescinded, on the ground that he did not have the power to make the order whilst outside of his district. The Appeal alleged that the District Court erred in holding that he had no power to make the order. His Honor Judge Woods said at page 607 of 296 Fed. Rep.:

> "The chief question here is whether the District Judge had the power at chambers in Parkersburg, where he was holding court under a special assignment provided by the Judicial Code, to entertain a petition to review the action of the referee in bankruptcy in ordering a sale of the property. The general rule is that a judge has no power to try cases, either in law or in equity, outside his own district. There is at least an implication in the federal Constitution and statutes that a party cannot be required to try his cause outside the territorial jurisdiction of the court in which it is pending. *The judge, however, has at chambers the authority and power to make all interlocutory orders and to do everything that is necessary to speed the cause and promote justice to the parties, except the actual trial on the merits."* (Italics ours.)

In *In Re Associated Gas & Electric Co.*, 83 Fed. Rep. (2d) 734, the Circuit Court of Appeals of the Second Circuit had before it the question of the validity of an order of the District Court of the United States for the Northern District of New York, directing that the trial of issues of insolvency of the debtor be held at the Judge's Chambers in the Southern District of New York. The Court of Appeals held that the issues that were directed to be heard in the Judge's Chambers in the Southern District of New York constituted a trial. On page 736 the Court of Appeals said:

> "The question presented is thus whether the judge has jurisdiction to try these issues in the Southern district of New York, without the debtor's consent."

The Court quotes Judicial Code, paragraphs 18 and 19, 28 U. S. C. A., paragraphs 22 and 23, to the effect that the District Judge "may be authorized to enter chambers orders elsewhere, by that fact, but such orders are those only covering administrative work, including the preparation of a case for trial. The exceptional authority to carry on preparation for trial outside the district where the case is pending does not go to the trial itself, even if heard without a jury." Finally the Court said:

> "While the order entered presents a finding of fact of the interest of the parties being best served by the trial in New York City, the debtor must be granted an opportunity to combat this, and, in the present proceeding, he was within his rights in objecting to the order made on the basis of judicial power alone. There was no transfer ordered here, and the order makes no pretention to be such a direction.
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> "Order reversed." (Pages 737 and 738.)

It is submitted that the District Court in deciding the merits of the case, without granting a hearing to the plain-

tiff, and the Court of Appeals in affirming his decision, so far departed from the accepted and usual course of judicial proceedings, as to call for the exercise of this Court's power of supervision.

THE BILL OF COMPLAINT PRESENTED A JUSTICIABLE CAUSE WHICH SHOULD HAVE BEEN HEARD BY THE DISTRICT COURT

The bill alleged that the plaintiff prior to the year 1928, had manufactured and sold a cabinet heater of distinctive design, known as the "Tudor Heater"; that by reason of the care, skill and fidelity with which plaintiff had conducted the manufacture of its products for a series of years, its heaters had acquired a high reputation in the trade, that it had expended large sums of money in advertising its heaters; that its heaters were handled by many dealers throughout the United States, particularly in the States of Indiana, Ohio, Kentucky, Tennessee, Virginia, West Virginia, Maryland, North Carolina, Alabama, Illinois, Iowa, Wisconsin, Minnesota, Missouri, Kansas and New York, in the larger cities of which states there were retail dealers, to whom plaintiff had given exclusive licenses to sell its "Tudor Heater"; that the defendant, Montgomery Ward & Company, after the plaintiff had established the public demand for its heaters, and fraudulently designing to procure the custom and trade of persons desiring to purchase plaintiff's said heater, and to induce them to believe that respondent's heater was in fact manufactured by plaintiff, made a contract with S. B. Rymer, C. D. Rymer and G. C. Brown, doing business in Cleveland, Tennessee, as the Dixie Foundry Company, to manufacture for it a cabinet heater of substantially identical design as that of plaintiff's Tudor heater, and directed said Foundry Company not to place the said Foundry's name upon the imitative heaters, but to place thereon only a plate that bore the name of the defendant Montgomery Ward & Company, and that

defendant had said Foundry Company ship the heaters to defendant's branch houses that were located in the territories in which plaintiff had dealers to whom it had given exclusive licenses to sell plaintiff's said Tudor heater. Furthermore, the Bill of Complaint says that the close similarity in appearance of defendant's heater to plaintiff's heater caused some of plaintiff's exclusive licensees to conclude that plaintiff was making the licensed heaters for defendant under another name, and that this had caused these retail dealers to cancel orders for these heaters which they had given to plaintiff and also had caused ultimate consumers to buy defendant's heaters under the impression that they were manufactured by the plaintiff. The bill further alleges that in the year 1930, the plaintiff had filed a Bill of Complaint against the said S. B. Rymer et al., which gave as one cause of the complaint the unfair competition of said Rymer et al. in manufacturing the imitative heater for Montgomery Ward & Company; that the District Court sustained the Bill of Complaint; that the United States Circuit Court of Appeals affirmed the District Court in an opinion reported at 70 Fed. Rep. (2d), page 386, and remanded the case for an accounting before a Master; that in the proceeding the Master had found damages in plaintiff's favor because of the loss of a specific number of these heaters, that were shipped on specific dates to specific branch houses of the respondent, Montgomery Ward & Company; that the District Court had reversed the finding of the Master upon the ground that plaintiff had not proved that it would have made the sales had Montgomery Ward & Company not made them; that the United States Circuit Court of Appeals for the Sixth Circuit had affirmed the District Court upon the same grounds, viz; that the plaintiff had the burden of proving that it would have made these sales to each of the ultimate consumers of these imitative heaters, if Montgomery Ward & Company had not

made them. The opinion of the Court of Appeals is reported at page 689 of 97 Fed. Rep. (2d). On this question of the burden of proof of loss of sales, the decision conflicts with that of the Circuit Court of Appeals of the Seventh Circuit in *Wrigley* v. *Larson,* 20 Fed. (2d) 830, 831. The Bill alleges also that a petition and rehearing was denied by the Court of Appeals on the 4th day of October, 1938; that a petition for writ of certiorari to this Honorable Court was denied on the 5th day of December, 1938. This petition was No. 464, October Term, A. D. 1938. The Bill further alleges that plaintiff, upon the 13th day of April, 1939, notified Montgomery Ward & Company of its infringement, and demanded payment of its damages. The Bill of Complaint against Montgomery Ward & Company was filed promptly thereafter, viz; on the 18th day of August, 1939.

It is submitted that these allegations manifest that your petitioner was not guilty of laches in instituting this suit, because in the interim between respondent's acts of infringement and the filing of the suit against respondent, petitioner was engaged in serious litigation against Rymer et al. doing business as the Dixie Foundry Co., on the same question of unfair competition in trade as is involved in this case. The following cases hold that laches does not result from delay occasioned by such litigation.

Southern Pacific Co. v. *Bogert,* 250 U. S. 483-488;
Metzger v. *Vinikow,* 17 Fed. (2d) 581 (C. C. A. 9);
Stearns-Rogers Mfg. Co. v. *Brown,* 114 Fed. 939-945 (C. C. A. 8).
U. S. Mitis v. *Detroit Steel & Spring Co.,* 122 Fed. Rep. 863-866 (C. C. A. 6);
Tompkins v. *St. Regis Paper Co.,* 236 Fed. 221-224 (C. C. A. 2);
Frank F. Smith Hardware Co. v. *S. H. Pomeroy Co.,* 299 Fed. 544-547 (C. C. A. 2);
U. S. Fire Escape Company v. *Wisconsin Iron & Fire Works,* 290 Fed. 171 (C. C. A. 7);

Edison Electric Light Co. v. *Mt. Morris Electric Light Co.*, 57 Fed. 642, at 644 (C. C. N. Y.);
Green v. *Barney*, 19 Fed. 420 (C. C.—D. Mass.);
Auditorium Conditioning Corp. v. *St. George Holding Co.* (D. C.—E. D. N. Y.), 19 U. S. P. Q. 64, at 72.

Yet the Court below said:

> "The mere fact of plaintiff's election to proceed in the first instance against the manufacturer alone, followed by its long drawn out litigation against the manufacturer does not excuse the plaintiff from seasonably asserting any cause of action that it might have desired to assert against the present defendant. It might now become quite inequitable for the defendant to be called upon to make an accounting for many detailed transactions in the sale of heaters throughout its various branches after so many years' delay." 114 Fed. Rep. (2d), page 895.

It is submitted that the action of the Court below in being solicitous about some probable equities of the respondent, is not in accord with the findings of this Honorable Court regarding the position before the Court of a defendant whose actions violate conscience or good faith. This Court in *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 237, at page 245 declares:

> "'It is a principle in chancery, that he who asks relief must have acted in good faith. The equitable powers of this court can never be exerted in behalf of one who has acted fraudulently or who by deceit or any unfair means has gained an advantage. To aid a party in such a case would make this court the abetter of iniquity.'"

It is submitted that the statement of the Court below, "that it might now become quite inequitable for the defendant to be called upon to make an accounting" is in conflict with this declaration of this Honorable Court. The Court

below, without any proof whatever, on defendant's part, concludes that it might now become inequitable for the defendant to have to account for its fraudulent acts.

It is submitted that the action of the Court below in affirming the action of the District Court in dismissal of the bill without a hearing, so far departs from the accepted and usual course of judicial proceedings as to call for this Honorable Court's power of supervision, and that the petition for writ of certiorari should be allowed.

Respectfully submitted,

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